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ENZI: CONGRESS MUST REJECT QUICK FIX FOR DEFINED BENEFIT PLANS; BROAD-BASED PENSION REFORM NEEDED

Washington, D.C. - U.S. Senator Mike Enzi (R-WY), Chairman of the Senate Health, Education, Labor and Pensions Committee (HELP Committee) today said Congress needs to take a Hippocratic oath – First, do no harm - as it begins work on legislation to ensure solvency of the defined benefit pension system and preserve the Pension Benefit Guaranty Corporation (PBGC).

“Congress needs to take prompt action to bring stability to the self-funded private pension system, and a taxpayer bailout to provide that stability is not an option,” Enzi said. “The legislation we adopt must ensure that funding rules prevent plans from terminating and that PBGC premiums provide the agency with the resources it needs, all without driving responsible employers out of the defined benefit system.”

During the first hearing of the HELP Subcommittee on Retirement and Aging today, Enzi called for a comprehensive approach to the legislation, saying Congress also will need to determine the long-term impact of increasing PBGC premiums. The Administration’s plan calls for an \$11 increase per participant in the flat-rate premium (raising the premium from \$19 to \$30 per participant) each pension plan pays into the PBGC.

“Certainly we need to shore up the finances of the PBGC. But we also need to determine whether the reforms proposed will make the defined benefit system better, or add to its problems,” Enzi added. “While the Administration has proposed setting new premiums to maintain PBGC’s solvency, it should be done in the broader context of pension reform.”

He predicted that overall pension reform will be more difficult to achieve if companies are strong-armed into a short-term fix of the PBGC system. Recently, many venerable, brand name companies, including Sears, Ford, Motorola, General Electric, Xerox, and Rockwell-Collins, have announced that they are freezing their defined benefit plans.

“These companies are not bankrupt and they are not bad actors abusing the pension safety net provided by the taxpayer-supported PBGC,” Enzi said. “But faced with higher premiums to maintain the PBGC, we may be forcing these firms to make a hard choice to protect earnings and avoid volatility and liability in their balance sheets.”

Restoring the PBGC to solvency and removing it from the General Accountability Office’s “Watch List” are important, Enzi maintained, but they are not the only priorities for broad-based pension reform. Comprehensive pension reform remains one of Enzi’s top priorities for the HELP Committee in the 109th Congress.